

**King County Annexation Analysis
Fiscal Impact of Renton's Annexation
of the Cascade Area**

**for
KING COUNTY**

December 7, 2005

INTRODUCTION & REPORT ORGANIZATION

In recognition of the requirements of Washington State's Growth Management Act (GMA), in the early 1990s King County and the suburban cities worked together to develop a framework of policies to guide jurisdictions as they planned for the future. These policies, referred to as the Countywide Planning Policies, are King County and the suburban cities' interjurisdictional plan for implementing the goals of the Growth Management Act.

As directed by the GMA, the Countywide Planning Policies explicitly address the status of unincorporated urban areas. Among other things, the policies call for:

- Elimination of unincorporated urban islands between cities.
- The adoption by each city of a Potential Annexation Area (PAA), in consultation with residential groups in the affected area.
- The annexation or incorporation of all unincorporated areas within the urban growth boundary within a 20-year timeframe (1994 – 2013).

Renton's Fairwood PAA is one of 10 unincorporated urban areas in the King county that have yet to be annexed to a city or incorporated into a new city.

In response to a request from Fairwood residents who are seeking to incorporate a portion of Renton's Fairwood PAA, King County contracted with Berk & Associates to complete an incorporation feasibility study for the eastern portion of Renton's Fairwood PAA, which if incorporated, would become the City of Fairwood.

In addition to commissioning the incorporation feasibility study, King County also contracted with Berk & Associates to develop this annexation analysis for the western portion of Renton's Fairwood PAA—the area that falls outside the proposed City of Fairwood boundaries—an area commonly known as Cascade, although it contains numerous smaller neighborhoods.

Exhibit 1
Boundaries of the Proposed City of Fairwood and
the Remaining Cascade Area of Renton's Fairwood PAA



This report looks at the fiscal impact that annexation of the Cascade area would have on the City of Renton. The goal of this report is to inform King County, the City of Renton, and other interested parties concerning two issues:

- **Near-Term Operating Impacts:** What new operating costs and revenues would Renton face if it were to annex the Cascade area and provide levels of service similar to current services in the City's existing neighborhoods?
- **Capital Needs:** What capital needs have been identified in Cascade? What costs would Renton incur to address capital requirements? What new capital revenues would Cascade generate to help cover those costs?

As a baseline assessment, this study looks at the difference between revenues and costs (or net fiscal gap) that the new, expanded City of Renton would face if the City were to annex the Cascade area, while simultaneously trying to maintain current levels of services and current levels of taxes and fees.

To provide the most intuitive and up-to-date information about estimated impacts, this analysis provides a snapshot of what Renton's operating impacts would be if the City were in the position of

fully governing the study area in 2005. The assessment is based on 2005 budgeted expenditures and 2005 tax and fee structures, as outlined in the City of Renton 2005 Adopted Budget, and is intended to represent a picture of fiscal impacts under steady-state operation.

It is important to note that, if Renton were to annex the Cascade area, in addition to annual operating costs, the City would also face transitional (ramp-up) costs. Among other things, costs included in this ramp-up phase would include:

1. Costs associated with comprehensive planning and zoning;
2. Costs associated with capital facility assessment planning;
3. Configuration of parks and other public facilities to accommodate extension of recreational services; and
4. Initial purchase of equipment (e.g. police cruisers and other equipment, road-maintenance equipment, computers for additional staff etc.). Once the initial purchases are made, the estimated operating gap accounts for the costs of maintaining and replacing equipment, but the initial purchase of the equipment is a front-loaded cost the City would bear. As an example of ramp-up costs, the Department of Planning, Building and Public Works estimates that it will need to purchase equipment at a cost of roughly \$1 million.

In essence, the steady-state impacts estimated in this study reflect the ongoing “costs” that the City would face each year, beginning, perhaps, in the third or fourth year after annexation and extending into perpetuity.

The purpose of estimating the hypothetical gap that would be created if the City were to try to extend current service levels to the contemplated annexation without increasing taxes is to present decision makers and the public with a picture of the true “cost” of annexation.

Ultimately, of course, any such gap between costs and revenues is hypothetical. Cities have no choice but to cover their costs of operation. If Renton were to annex the contemplated annexation area, any estimated “cost” associated with annexation would have to be made up through some combination of (1) stretching City resources through increased efficiencies or decreased levels of service and/or (2) increasing City revenues.

Summary of Findings

As a whole, if the City of Renton were to annex the Cascade annexation area, the net operating cost to the City would approach \$681,000 per year (Exhibit 5). This assumes that the City would assume responsibility for the FD 40 station and facility on 176th, locate a fire engine and aid car in that station, and close the current City of Renton station several blocks to the north.

If the City were to capitalize the costs of facilities for new City staff associated with the annexation (building or purchasing facilities for new City staff) and not treat facility costs as an annual expense, then the annual cost of annexing Cascade would drop below \$340,000 per year.

Report Organization

The remainder of this report is organized into five sections:

- A discussion of some of the **Key Assumptions** that helped shape the analysis;
- A brief discussion of the some of the **Study Area Characteristics**;
- A Summary of Fiscal **Operating Impacts**;
- A discussion of Key **Operating Costs and Revenues**; and
- A discussion of Key **Capital Costs and Revenues**.

KEY ASSUMPTIONS

The analysis that is summarized in this report is shaped by a number of key assumptions:

- The identified annexation area would receive levels of service similar to those now provided by the City of Renton.
- The current level of service, staffing and expenditures in Renton is the benchmark for forecasting comparable levels of service, staffing and costs in the annexation area. This study does not evaluate whether Renton's existing levels of service, staffing or expenditures are acceptable or sustainable with existing resources and staffing.
- Cities that have undertaken annexations in the past have found that there is a surge in demand for services after annexation. This study's methodology of directly estimating demand for services that will be introduced upon annexation for key expense categories will produce a more accurate forecast than a simple population-driven forecast, but it does not attempt to address transition or "ramp-up" costs, nor does it address surges in demand that the City might see in the first few months after annexation.
- This fiscal analysis includes cost and revenue estimates only for those taxes or services that would change upon annexation. Local services that would not change include water and sewer, schools, regional transit, health services, and regional parks. In other words, after annexation, existing school district boundaries would remain as they are. Regional transit, health and regional parks will continue to be provided by King County. Also, this analysis assumes that Renton would not take over provision of water and sewer service in either Fairwood area upon annexation, but the area would continue to be served by the Cedar River Water & Sewer District and the Soos Creek Water and Sewer District.
- To give the clearest possible view of the net operating costs of annexation, this summary of operating costs and revenues combines costs and revenues that accrue to the City's General and Street funds. The costs and revenues of the Surface Water Management and other enterprise funds, however, have been held separate.
- The need to support capital investments and infrastructure development is difficult to accurately estimate given the current level of investment by King County, which is minimal today with the exception of roads projects. Over time, the type and quality of capital facilities in Cascade would be aligned with those provided with the rest of the City, but major investments in new capital development would not occur immediately upon annexation.

STUDY AREA CHARACTERISTICS

Area Location and Description

Renton's entire potential annexation area (PAA) to the southeast of the City includes both the proposed City of Fairwood, which has an incorporation petition currently before the Boundary Review Board, and a "remainder" area that lies to the west of the incorporation area and adjacent to the City of Renton's southern boundary, referred to here by the name of its largest neighborhood, Cascade. For the purposes of this report and analysis, we refer to the western "remainder" area as **Cascade**, the eastern portion of the PAA as the **Fairwood Incorporation Area**, and the two areas together as the **Renton Fairwood PAA**.

The Cascade area is an urban unincorporated area bounded on the north and west by the City of Renton, on the south by the City of Kent and the Kent's potential annexation area, and on the east by 128th Avenue SE (the western boundary of the Fairwood incorporation area). The area includes residential areas of Spring Glen, Auria Woods, Chinoaupin, Village Gate, Springfield, Benson Hill, Gainsborough Commons, and Youngs Lake Commons.

Population and Demographics

Base Population

Population growth is an important driver of city costs and revenues. In any city, many of the major revenue sources as well as a large number of expenses depend either directly or indirectly on the city's population.

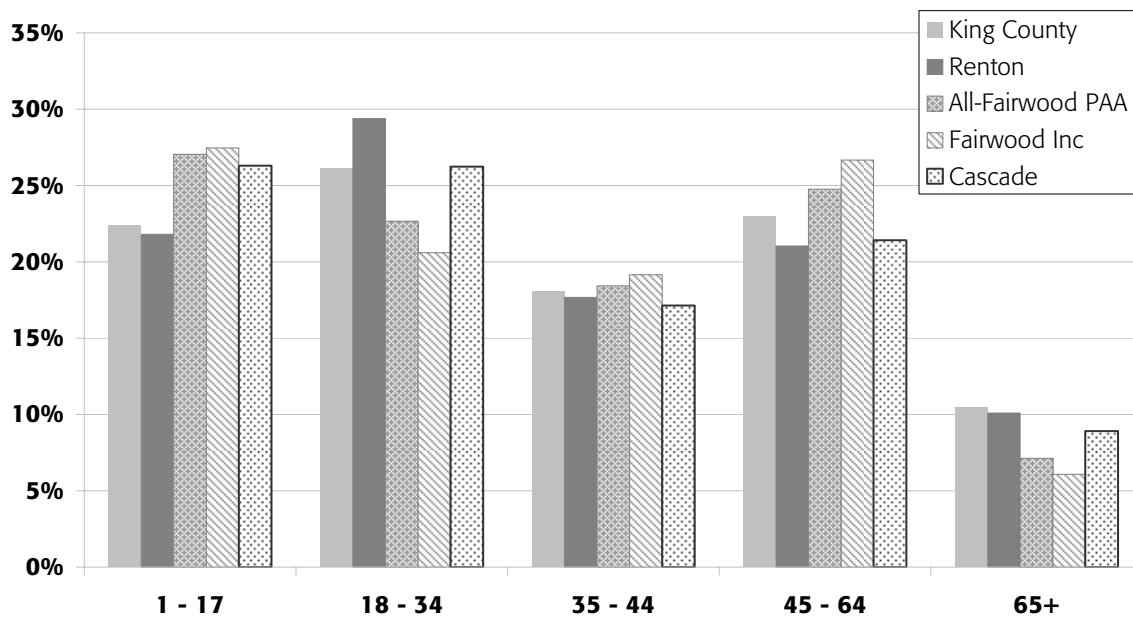
The population of the Cascade in 2005 is 16,100, and the population of the Fairwood incorporation area is 26,100. In total, the population of both areas is approximately 42,200.

The demographic characteristics of the area reveal similarities and contrasts with the current population of the City of Renton.

Age

All areas have a distribution of population by age that is very similar except in the ages 1-17 and 18-34 categories. For persons aged 1-17, Cascade is more similar to the Fairwood area, with a higher percentage of young people than Renton or King County, plus it has a greater share of residents over 65 than the rest of the all-Fairwood area. Across all age categories, the Cascade area is generally more similar to King County and the City of Renton than all-Fairwood PAA or the proposed incorporation areas. In both Cascade and King County, 26% of the population is in the 18-34 age category while in the City of Renton 29% of the population is in this category. Cascade, Renton and King County all have nearly 10% of their populations aged 65 and older.

Exhibit 2
Percentage of Population by Age Category, 2000

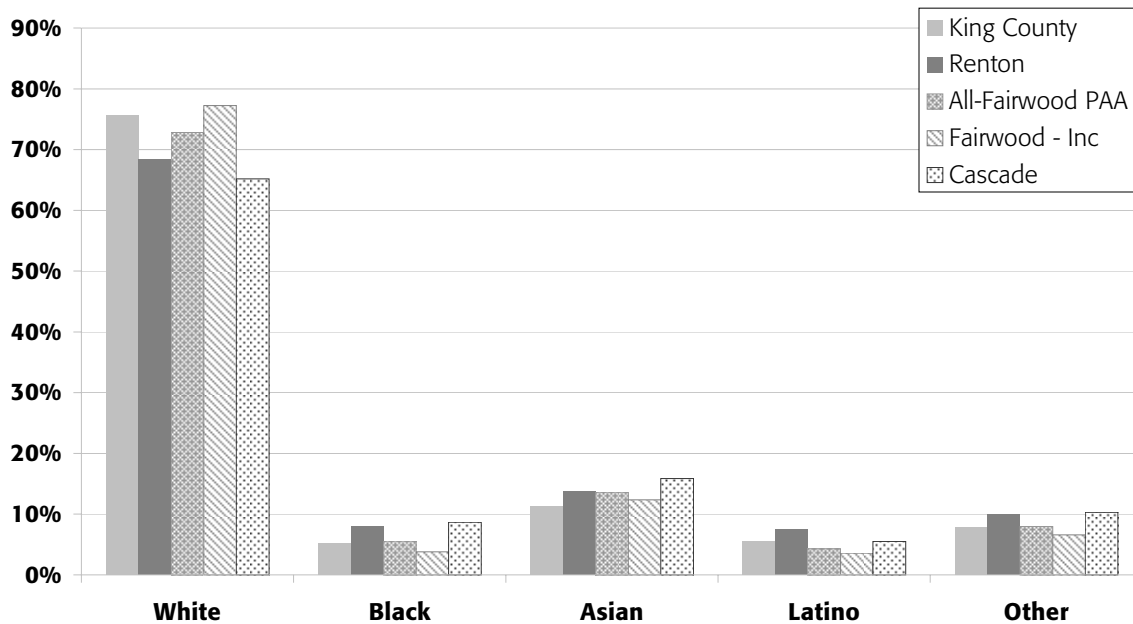


Source: U.S. Census Bureau, 2000

Race

In all geographic areas, two-thirds to three-quarters of the population is White, with the Cascade area and Renton most closely aligned in racial composition: 65% and 68% are white, respectively, and the two areas have a larger relative share of Black and Asian residents (Exhibit 3). Across all racial categories, with the exception of Asian residents, the Cascade area is more similar to the City of Renton, while the proposed incorporation area and all-Fairwood PAA have a racial composition most similar to King County.

Exhibit 3
Percentage of Population by Race, 2000

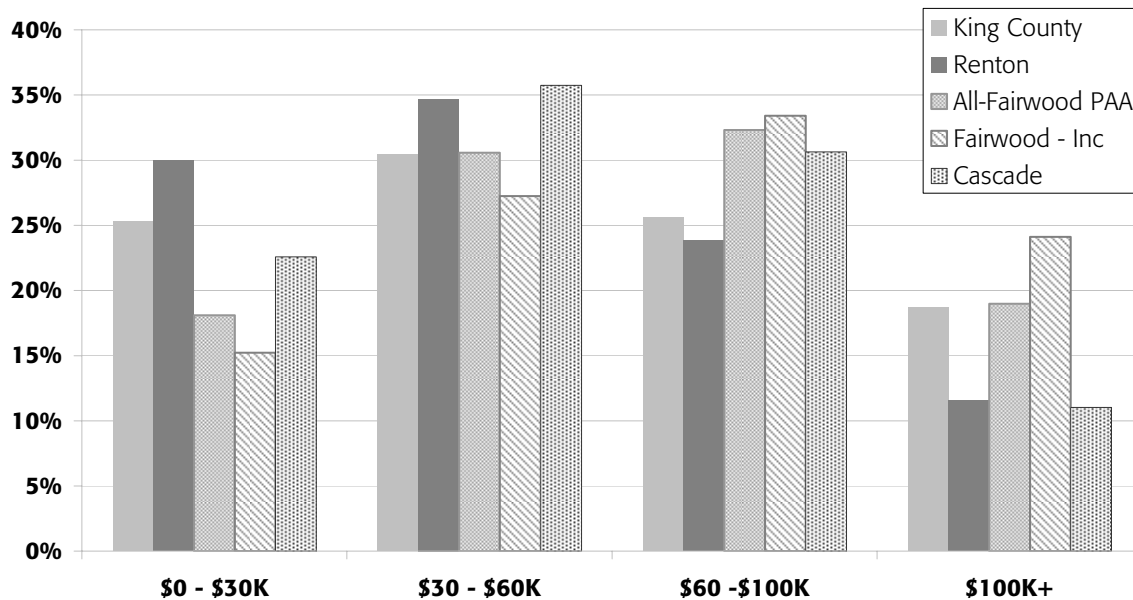


Source: U.S. Census Bureau, 2000

Income

Compared with the Fairwood Incorporation Area and the entire Fairwood PAA, the incomes of Cascade area residents are aligned most closely with City of Renton's lower household incomes. A greater share, 30%, of the City of Renton's households are in the \$0-\$30,000 income range (compared with 18% in all-Fairwood area and 15% in the proposed incorporation area). Greater than one-third of Renton and Cascade households are in the \$30,000 - \$60,000 income range, compared to about one-third of households in the incorporation and all-Fairwood areas. Fewer Renton households (24%) are in the \$60,000 - \$100,000 income range than other areas. For incomes \$100,000 and more, only 12% of the City of Renton's households are in this category compared with 19% of all-Fairwood-PAA and 24% of the proposed incorporation area's households, and 11% of the Cascade area's households.

Exhibit 4
Percentage of Population by Race, 2000



Source: U.S. Census Bureau, 2000

Special Purpose Districts

School Districts

School district boundaries are not affected by municipal annexations. Residents in the northeastern region of the Cascade area would continue to be served by Renton School District #403, which includes Cascade, Spring Glen, and Benson Hill Elementary Schools. The only portions of the study area that fall within the Kent School District are (1) a small number of houses just to the west of Soos Creek and (2) households who live in the southwest portion of the study area, south of 192nd.

Fire Districts

Fire and *basic* life support emergency medical services are currently provided to most of the area by Fire District 40. The remaining area—the portion of the study area that lie south of 192nd, receive fire protection services from Fire District 37, which contracts with the City of Kent to provide its fire and EMS protection.

Utility Districts

Almost all areas of the Cascade study area receive water and sewer service from Soos Creek Water and Sewer District. Upon annexation, residents would continue to receive water and sewer service from the same provider. Soos Creek Water and Sewer District provides water and sewer services to almost 100,000 people in southeast King County. Water is purchased from Seattle Public Utilities and reaches reservoirs via Lake Youngs.

FISCAL OPERATING IMPACTS

Summary

As a whole, if the City of Renton were to annex the Cascade annexation area, the net operating cost to the City would approach \$681,000 per year (Exhibit 5). This assumes that the City would assume responsibility for the FD 40 station and facility on 176th, locate a fire engine and aid car in that station, and close the current City of Renton station several blocks to the north.

Exhibit 5 summarizes an estimate of the impact that annexation of the study area would have on the City's operating costs and revenues.

To try to reflect the *full* steady-state cost of annexation, Exhibit 5 includes annualized facility costs that would be associated with an increase in the number of City employees. This cost could be viewed as the annual cost of leasing space for additional City Hall staff, police and maintenance workers, etc. Another way to think of these facilities costs would be in terms of the annual cost of a capital bond that would cover the cost of building new City facilities. For annexation of Cascade, facilities costs are estimated at \$340,000. If one were to exclude facilities costs from the operating deficit, an approach that Renton may take, in practice, then the baseline *operating* gap associated with annexing would drop to approximately \$341,000.

Again, these estimated impacts are based on the assumption that, upon annexation, the City would attempt to extend current levels of services to the annexation area. These estimates include the combined impacts on the City's General and Street fund, but do not include the operating costs or revenues of the Surface Water Management (SWM) Fund or other enterprise funds.

Appendix A provides a more thorough breakdown of the component costs and revenues and a discussion of the methods used to estimate each.

Exhibit 5
Summary of Core Operating Costs and Revenues
for Cascade Area (2005 Dollars)

Operating Costs	Total
Police Services	\$3,728,000
Planning, Building and Public Works	\$1,769,000
Fire Services	\$1,113,000
Administrative, Judicial & Legal Services	\$627,000
Community Services	\$481,000
Finance and Information Services	\$341,000
Human Resources & Risk Management	\$73,000
Economic Development	\$233,000
Legislative	\$14,000
<i>Staff-related Facility Costs ¹</i>	<i>\$340,000</i>
TOTAL COST	\$8,719,000
Operating Revenues	
Property Tax	\$3,685,000
Utility Tax	\$1,387,000
Sales Tax	\$833,000
State Shared Revenues	\$546,000
Gambling Tax	\$399,000
Permit Fees	\$345,000
Sales Tax-Criminal Justice	\$323,000
Fines & Forfeits	\$294,000
Cable Franchise Fees	\$137,000
Recreation Fees	\$66,000
Business License Fees ²	\$23,000
TOTAL REVENUE	\$8,038,000
NET REVENUES	<i>(\$681,000)</i>

¹ Excludes facility costs for fire department, under the assumption that fire facilities will be handled through an asset transfer with the district and, potentially, construction of a new station.

² This amount is 20% of estimated total amount collected for business license fees, as 80% is dedicated to road maintenance (capital projects).

Note: Core revenues and costs include certain revenues that are statutorily dedicated to specific uses [e.g. gas tax revenue distributions (which are required to fund streets operation, maintenance, or capital investment)] or criminal justice sales tax distributions [which are required to be used for criminal justice purposes]. These revenues and costs are lumped together to show a single net cost (1) because they allow readers to easily assess net cost to the City (a cost which ultimately falls on the City's general fund) and (2) because the statutory constraints are non-binding. That is, the gas tax revenues the City receives are less than the cost of road maintenance, therefore the City will never be in danger of having excess gas tax revenue to use for inappropriate purposes. What this means is that, in this case, the \$469,000 net cost to the City reflects the net cost to the City's general fund.

Source: Berk & Associates analysis

KEY OPERATING COSTS AND REVENUES

In Renton, as in most cities, the majority of the City's costs and revenues are concentrated in a handful of sources and uses. Following is a brief overview of these central cost and revenue categories and a discussion of the impact that differing service demands and revenue bases in the three study area has on the overall fiscal impacts of annexation.

Major Revenues

Property Tax

Annexation of Cascade would bring an estimated \$1.2 billion of additional taxable property to the City. Assessed value per resident is \$73,000.

Given these values of taxable property, and given Renton's 2005 regular City levy rate of \$3.148 per \$1,000 of assessed value, if the City had governed the study area in 2005, revenues generated in the area would have totaled roughly \$3.7 million.

Utility Taxes

The City of Renton currently levies a 6% tax on revenues that are generated in the City from the sale of telephone services (including cell phone services), natural gas, cable television, and garbage and water/sewer services. The City also levies a tax on the sale of electricity in the city.

Based on statistical analysis of utility tax revenues and characteristics of other cities, we estimate that, as a whole, the utility taxes would have generated \$1.4 million in additional City revenues if the study area had been part of the City in 2005.

Local Sales Tax

For many cities in Washington State, tax dollars generated by the local portion of the retail sales and use tax are the single largest source of city revenues. In 2004, cities in Washington received an average of \$180 per resident in local sales tax revenues. With many of these dollars concentrated in a handful of larger cities, however, the median city in the state received a far lower \$97 per resident. By comparison, Renton generated approximately \$185 in local sales tax dollars per resident in 2004.

Retail sales tax is calculated as a percentage of the sale price of tangible personal property (with the exception of groceries and prescription medicine) and many services purchased by consumers. Beyond its application to tangible personal property, sales tax is also applied to items such as telephone service; the installation, repair, or cleaning of tangible personal property; and to the construction or improvement of new or existing buildings, including labor and services provided throughout the process.

Of the 8.8% sales tax currently collected in the City and the potential annexation area, a 1% "local" tax accrues to local jurisdictions. In the unincorporated area the full 1% local tax accrues to King County (with the exception a small portion that is retained by the State Department of Revenue to cover collection and distribution costs). If the transaction location is within a city like Renton, the city receives 85% of the 1% local tax and the County receives 15%.

Cascade would generate roughly \$833,000 of sales tax revenue for the City. The sales tax revenues would be \$52 per resident. This figure is based on King County analysis of retail outlets in the area and the overall distribution of countywide sales tax receipts.

Major Costs

Police Services

Based on conversations with the Renton Police Department and statistics-based forecasts of demand, annexation of the Cascade area is expected to require the addition of 1.7 patrol districts to the City. In practical terms, the Police Department expects that the increase in the number of patrol districts would be accompanied by a broader reconsideration and redistricting of the patrol areas in the eastern portion of the City.

At a total cost of \$3.7 million, the provision of police services to Cascade represents approximately 45% of the total operating costs the City would incur if it annexed the Cascade area.

The Renton Police Department assessed the logistical demands of policing Cascade and estimated that the Department would need to restructure the existing patrol districts, including the addition of a new patrol district to cover a portion of the Cascade area and, as part of a broader restructuring, creation of a second district that would encompass the remaining portion of Cascade *and* a portion of the existing City. From an incremental perspective, the City would be committing the resources of 1.7 patrol districts to the Cascade area. All together, the Department estimates that serving the Cascade area will require a combined 24% increase in staffing, adding 32 full-time-equivalent positions to the Department.

Fire and Emergency Medical Services

If the Cascade area annexes to Renton, the Renton Fire Department will take over provision of fire and emergency medical services (EMS) in the annexation area, and transition of assets from Fire District 40 to the City of Renton would occur. The estimated costs Renton would incur to provide fire and emergency medical services (EMS) in the contemplated annexation area is based on the City's 2005 budgeted costs of providing service, multiplied by the estimated additional demand for fire staffing that the contemplated annexation area would have introduced in the same year.

The City of Renton currently provides service to the eastern areas of the City from its Fire Station 13, which is located outside the city boundaries and within Cascade area. However, this station is small and has long been considered a temporary facility by the Renton Fire Department. It is currently staffed by an engine and three full-time staff positions.

The Renton Fire Department believes that it can provide fire and EMS services to the Cascade annexation area from a single station located near the City's existing station. The Department believes, however, that current staffing in the Cascade area will need to increase from three full-time staff to five full-time staff, a number sufficient to staff an engine and an aid car in the Cascade station.

Fire District 40 staffs the Cascade area from Station 42, its Headquarters Station, located on 176th/Petrovitsky Road, and Benson Highway (SR 515). Fire District 40 also has a bond issue for a new headquarters station to be built at SE 180th and Benson Rd, which will be voted on in the November 2005 election. The District already owns the land on which the new station would be built.

If Renton were to annex the Cascade study area, approaches that have been discussed include (1) Renton Fire Department could close Station 13 and take over the new station built by FD 40, (2) the

Department could close Station 13 and take over Fire District's existing station on 176th, or (3) the Department could build a new station in Cascade.

Under the last scenario, all or part of the cost of constructing a new station might be covered by assets that are transferred from the District to Renton as part of the asset transfer process (depending on the outcome of the bond measure and the timing of annexation). For example, if District voters were to pass the bond in November, but Renton annexed the area before the District had completed construction of the new station, then Renton might receive a portion of bond revenues as part of the transfer of assets from the District to the City. Presumably, other capital revenues could be generated from the sale of Fire District 40's existing station on 176th, which is a property that may offer opportunities for commercial development.

Planning, Building and Public Works

The core public works functions that are included in the summary of operating impacts include those functions that are funded out of the City's General and Street funds. In total, provision of these services in the contemplated annexation area is estimated to cost the City approximately \$1.8 million. Divisions included in this estimate include Development Services (\$575,000), Maintenance Services (\$662,000), Transportation Systems (\$382,000), and a portion of Utility Systems that is funded by General Fund dollars (\$101,000).

Community Services and Parks

Currently, the public parks and parklands in the Cascade area are owned, maintained, and improved by King County Division of Parks and Recreation. According to County policy, upon annexation, facilities defined as local parks by the Parks, Recreation, and Open Space Plan will be transferred to Renton. King County expects that, under the above policy, two parks within the Cascade area would be transferred to Renton: Boulevard Lane Park (30.28 acres) and Cascade Park (10.94 acres). It is worth noting that, while the City of Renton will only acquire responsibility for a relatively few acres of local parks, residents of the area will have other regional parks and open space at their disposal. Bordering the study area is 500-acre Soos Creek Park, which King County will maintain as a regional facility and Tiffany Park, which is already located in the City of Renton.

The Parks & Community Services Department has indicated that the southeastern areas of the current City have lower levels of park acreage than those set out in the City's standards, and annexing the Cascade area would provide needed park capacity in the form of Boulevard Lane and Cascade parks. Because one of the parks is essentially open space now, negotiation between the City and the County for financial assistance with some park development costs may be necessary.

Library

The Cascade area currently receives its library services from the King County Library System (KCLS), a district which operates several regional libraries near the PAA in Tukwila, Kent, and unincorporated King County (within the boundaries of the proposed city of Fairwood). In terms of operating expenditures, Renton spends significantly less per resident providing library services than does KCLS (\$22 per resident for Renton versus \$62 per resident for KCLS).

If the Cascade area were to be annexed to Renton, Renton's two current libraries would serve the area. This means that the City would see little incremental library cost associated with annexation.

King County Library System voters have approved a library capital bond levy. Whether Renton annexes the Cascade area or not, property owners within KCLS's existing district boundaries will continue to

pay property taxes for repayment of bonds for the coming 17 years. For 2006 through 2011, the new KCLS bond levy will be combined with the 1988 bond levy (which will expire in 2011). Even if the Cascade area is no longer in the Library District, taxpayers must continue paying property taxes for the bond levy through 2022.

In 2005, the total levy paid by taxpayers in the Library District is \$0.53 per \$1,000 of assessed value. Of that total, \$0.48 comes from the operating levy, while the remaining \$0.05 goes to paying off the 1988 capital bond. If the Cascade study area was part of Renton in 2005, taxpayers would no longer pay the \$0.48 per \$1,000 for the District's regular operating levy, but they would still pay the \$0.05 per \$1,000 for the bond levy (\$11.25 for a \$225,000 house). In 2006, when the new bond levy gets added to the mix, the bond levy component will increase to about \$0.08.

Staff-Related Facility Costs

Staff-related facility costs reflect the annualized cost of City Hall, maintenance facilities, and other City facilities that will be needed to house additional staff. Estimates for this analysis do not include costs for a fire station because the City already has a fire station in place in Cascade *and* the City would expect to acquire a station from Fire District 40 as part of a division of Fire District assets upon annexation.

For cities who own their facilities, it is unusual to think of facilities costs in terms of an annual cost, but these costs are included in the analysis in an attempt to capture the *full* costs of services.

The City may have excess capacity in existing facilities, or the City could choose to capitalize these costs by assuming greater capital expenditures up front. In that case, many if not all of the costs could be eliminated from the annual cost estimate.

Estimated costs assume annual costs of \$5,000 per employee. For office staff, this might translate into a need for 250 square feet of additional space per employee at an average lease cost of \$20 per square foot. Alternatively, the \$5,000 cost could be viewed as the cost of servicing City bonds that would be necessary to cover the capital cost of building new facilities.

For maintenance workers, \$5,000 per employee might translate into 625 square feet per employee at a cost of \$8 per square foot. Again, these costs could also be viewed as the cost of service City bonds that could be used to build these new facilities.

Surface Water Management

If the Cascade study area was part of the City of Renton in 2005, surface water fees on area properties would generate an estimated \$440,000-\$480,000 in Surface Water Management (SWM) revenues. These revenues would be available to cover the operating costs of the surface water system, and any remaining revenues (if they exist) would be available to fund capital investments in the system.

This analysis assumes that, upon annexation, King County will transfer all publicly-maintained SWM facilities in Cascade to the City. Among other things, this transfer of facilities would include public detention ponds—a category of surface water management facility that Renton does not typically use.

Given the operational differences between Renton's existing SWM system and the system the City would inherit upon annexation, the overall costs that Renton would face to operate SWM facilities in Cascade are unclear. Berk & Associates contacted the King County Water and Land Resources Division (WLRD) and asked the Division to provide a summary of the operation and maintenance activities

they carry out for the types of facilities included in the Cascade study area. To date, however, staff from WLRD have not responded with that information.

It is worth noting, however, that regardless of the O&M activities that King County WLRD currently carries out in Cascade, it will fall to Renton's Public Works Department to develop a strategy and process for configuring and maintaining inherited facilities in the Cascade area. Since Renton's SWM operates as an enterprise fund, any net costs or revenues associated with operation, maintenance, or capital improvements for the Cascade SWM system will be confined to the enterprise fund.

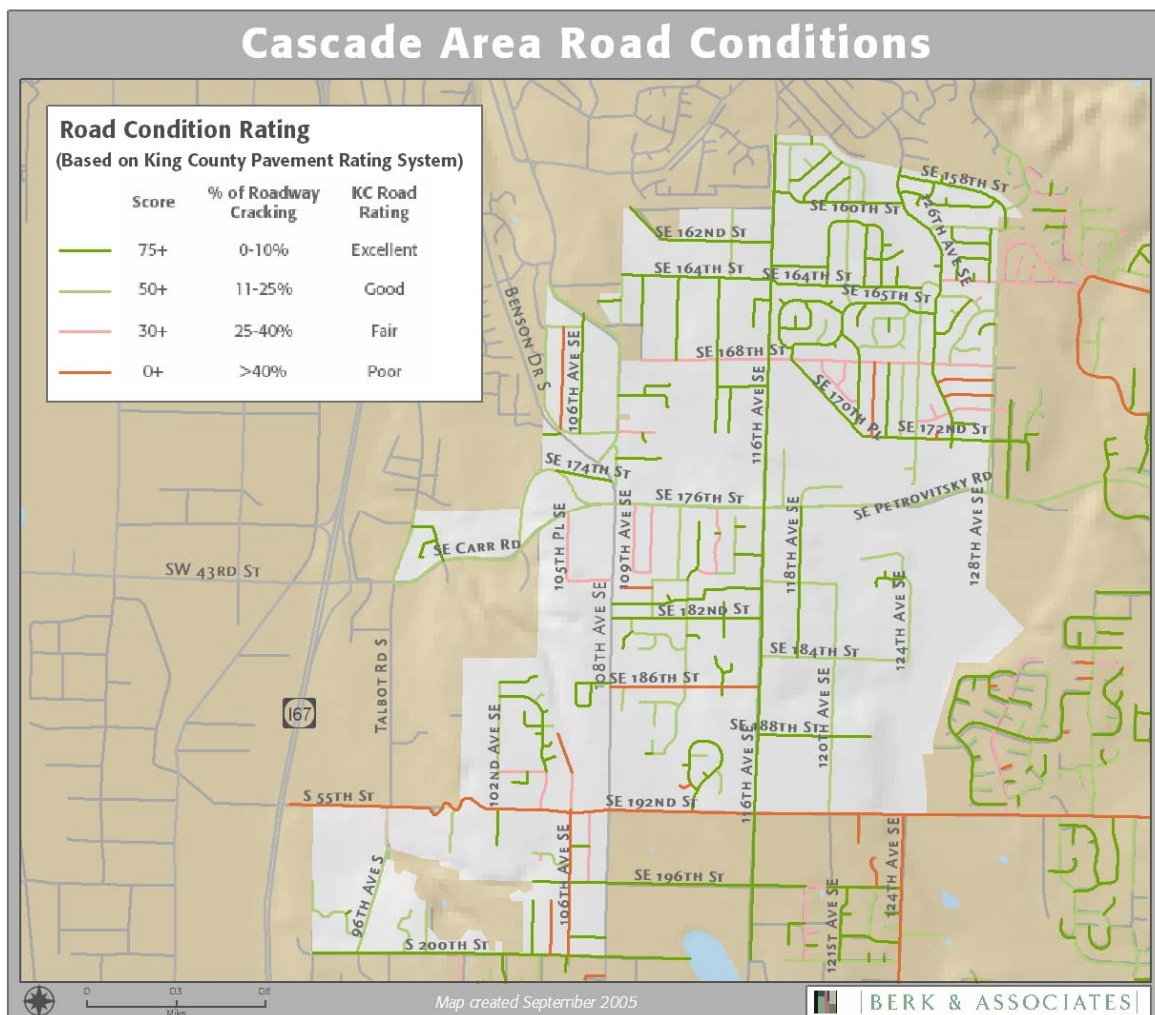
CAPITAL COSTS & REVENUE

Historic and Future Capital Costs

Road Construction

Upon annexation, the City of Renton would be newly responsible for nearly 45 road miles of streets in the Cascade area, including several streets which today have a poor pavement condition rating (below a score of 20, meaning that over 40% of the roadway has cracking). The map below shows the pavement condition of roads in the Cascade Area. Each City sets different standards for the pavement condition rating, and King County's standards are outlined in the legend of the map. What this means is that the City of Renton would need, in a capital assessment, to determine the appropriate standards for these roads through the City's overlay program.

Exhibit 6
Pavement Conditions on Cascade Roads



Source: King County Roads Division, Department of Transportation, Berk & Associates

KING COUNTY ANNEXATION ANALYSIS

According to King County Roads Services Division, prior investments in road design and construction Capital Improvement Program (CIP) projects in the Cascade and immediately surrounding area have totaled over \$14 million over the last six years, with one project to be completed between the years 2006-2010. After that time, no further capital expenditures are planned.

Exhibit 7

King County Road Construction Projects in the Cascade Area, 1999-2006

Project Name	Location	Prior Years	2005 Budget	2006- 2010	Total
116th Ave SE - Ph II	Petrovitsky Rd - 0.5 mile north of SE 168th	\$1,111,525	\$2,363	\$0	\$1,113,888
Benson Rd SE (SR-515) @ Carr Rd	Intersection	\$1,831,885	\$1,194,964	\$270,000	\$3,296,849
Carr Rd SE	SR-167 to Benson Rd SE (SR-515)	\$1,544,628	\$0	\$0	\$1,544,628
124th Ave SE @ SE 192nd St	Intersection	\$172,724	\$2,844,276	\$0	\$3,017,000
SE 192nd St	Benson Rd to 140th Ave SE	\$3,835,680	\$1,308,585	\$0	\$5,144,265
Petrovitsky Rd ITS	Southcenter Pkwy to SE 184th St	\$251,737	\$187,062	\$0	\$438,800
		\$8,748,179	\$5,537,250	\$270,000	\$14,555,430

Source: King County Roads Division, Berk & Associates

If an area annexes in the middle of a given year, the County's policy is to complete road construction, design or other improvement projects programmed for that year, by either actually finishing the project or providing funds to the city for transportation purposes. We expect that the County would finance all construction and design planned for 2005 and 2006. Because all projects are anticipated to be completed prior to 2007, we do not have a reliable estimate of future annual expenses for construction of roads in the area.

Exhibit 8 details between \$14 and \$50 million in potential transportation needs included in King County's 2004 Transportation Needs Report. The TNR is intended to be a list of all identified transportation needs that have not yet been, and in some cases may never be, included in the County's Capital Improvement Program, subject to need and funding. There are two major projects for Carr Road and Petrovitsky that make up the largest share of future transportation needs and which the County could be expected to continue to fund. It should also be noted that this list includes projects that, at least in part, fall within or run along area boundaries. However, some portions of a given project may extend beyond.

Exhibit 8 Transportation Needs in the Cascade Area, 2004

King County Project #	Location	Category of Need	TNR Priority	Cost (\$000)	Project Scope
400898	Carr Rd from SR-167 to Benson Rd SE	Capacity Major	High	\$22,700	See CIP (possible that the project is outside the PAA)
400400	Petrovitsky Road from 184th to Southcenter Parkway	Operations	Not Rated		See CIP
400698	Benson Rd SE (SR 515) @ Carr Rd	TBD	TBD	\$13,200	See CIP
401004	124th Ave SE @ SE 192nd St	Safety	Not Rated	\$2,500	See CIP
3P-9953	SE 160th St from 116th Ave SE to 120th Ave SE	Nonmotorized	Low	\$185	Construct AC shoulder (south side)
3P-9955	SE 169th St from 126 Pl SE to 128th Ave SE	Nonmotorized	Low	\$135	Construct AC shoulder (south side)
3P-9961	SE 192nd St from 102nd Ave SE to 108th Ave SE	Nonmotorized	Low	\$165	Construct sidewalk (north side)
GR-17	Carr Rd from 96th Ave S to 108th Ave SE	Safety	High	\$38	Construct guardrail
GR-84	SE 168th St from 108th Ave SE to 116th Ave SE	Safety	Medium	\$66	Construct guardrail
HAL-42	129th Pl SE @ SE 192nd St	Safety	Medium	\$523	Add left turn lane EB/WB
HAL-5	106th Pl SE @ SE Carr Rd	Safety	High	\$115	Adjust light timing, larger signal EB/WB, upgrade signals
ITS-4	SR-515 from SR-516 to S Grady Way	Operations	Medium	\$115	Provide Intelligent Transportation System (ITS) improvements
Recon-2	Petrovitsky Road from 108th Ave SE to 128th Ave SE	Rehabilitation	TBD	\$861	Road rehabilitation
SC-168	128th Ave SE from SE 168th St to Petrovitsky Road	Capacity Minor	TBD	\$1,252	Widen roadway
SC-199	SE 179th St from 109 Ave SE to SR-515	Nonmotorized	TBD	\$91	Construct neighborhood pathway
SC-210	Talbot Rd East Sidt from S 176th St to S 1778 St	Nonmotorized	TBD	\$40	Construct curb, gutter, sidewalk
SC-3.12	116th Ave SE from SE 176th St to SE 192nd St	Capacity Minor	TBD	\$4,582	Provide left turn lane, pave shoulders
SC-3.30	116th Ave SE from SE 157th St to SE 168 St	Nonmotorized	TBD	\$228	Construct curb, gutter, sidewalk
SPP-4024	SE 180th St from @ 118th Ave SE	Nonmotorized	Low	\$5	Install crosswalk
SPP-4025	SE 184th St From 116th Ave SE to 118th Ave SE	Nonmotorized	Low	\$40	Enclose ditch and construct walkway south side
SPP-4026	120th Ave SE from SE 180th St to SE 192nd St	Nonmotorized	Low	\$325	Enclose ditch and improve shoulders
SPP-4027	SE 188th St from 116th Ave SE to 120th Ave SE	Nonmotorized	Medium	\$70	Enclose ditch and improve shoulders
SPP-4030	SE 184th St from 12200 block at power lines	Nonmotorized	Low	\$15	Widen shoulder south side
SW-10	108th Ave SE (Benson Rd) & SE 168th St	Safety	High	\$940	Traffic signal and possible turn channels
SW-30	129th Pl SE & SE 192nd	Safety	Low	\$940	Traffic signal and possible turn channels
SW-4	105th Pl SE/SE Carr Rd	Safety	High	\$940	Traffic signal and possible turn channels
Future Road Projects - Estimated Need				\$50,071	
Estimated Need not including Benson Road Projects				\$14,171	

Source: King County Roads Division, Berk & Associates

Parks Capital Improvements

The King County Parks & Recreation Division reports two facilities below would become part of Renton upon annexation. The City of Renton Parks and Community Services Department reports that the two areas are essentially open space, and therefore park development investments would likely be needed. There are no historic or future capital investments planned for these parks by King County.

Renton Community Services Department reports that, upon annexation of Cascade, they would seek to construct a neighborhood recreation center in the area. As a ballpark cost estimate, an 8,000 square foot neighborhood center at a development cost of \$200 per square foot would represent a \$1.6 million investment for the City.

Exhibit 9 Existing King County Park Facilities in Cascade Area

Park Facility	Acres	Field/ Court	Picnic/ BBQ	Play Equip	Rest- room	Address
Boulevard Lane Park	30.28	2	0	1	1	127th Pl SE and SE 188th Pl Kent 98058
Cascade Park	10.94	6	1	1	0	SE 162nd St and 122nd Ave SE Renton 98048
Total	41.22	8	1	2	1	

Source: King County Parks, Berk & Associates

Fire Station

As discussed above, if Renton annexed the Cascade area and Fire District 40 were to remain intact, then annexation of the area would require a transfer of the District's capital assets. Depending on the timing of the annexation, and depending on how events unfold, it is possible that Renton would be required to make a cash payment to ensure an equitable distribution of assets.

Fire District 40 staffs the Cascade area from Station 42, its Headquarters Station, located on 176th/Petrovitsky Road and Benson Highway (SR 515). Fire District 40 also has a bond issue for a new headquarters station to be built at SE 180th and Benson Rd, which will be voted on in the November 2005 election. Our understanding is that the District already owns the land on which the new station would be built.

If the District were to build a new headquarters station in Cascade, prior to annexation, it may be the case that Renton's annexation would result in acquiring a large portion of the District's capital assets. Under certain scenarios, it would be likely that the City would need to pay the District a sum of money to make the District whole and, in effect, allow the District to expand its current station in Fairwood or build a new station. At the same time, Renton could be in the position of acquiring a new station in Cascade that exceeds the City's facility needs.

If Renton were to annex the Cascade study area, approaches that have been discussed include (1) Renton Fire Department could close Station 13 and take over the new station built by FD 40, (2) the Department could close Station 13 and take over Fire District's existing station on 176th, or (3) the Department could build a new station in Cascade.

Under this last scenario, all or part of the cost of constructing a new station might be covered by assets that are transferred from the District to Renton as part of the asset transfer process (depending on the outcome of the bond measure and the timing of annexation). For example, if District voters were to pass the bond in November, but Renton annexed the area before the District had begun construction of the new station, then Renton might receive a portion of bond revenues as part of the transfer of assets from the District to the City. Presumably, other capital revenues could be generated from the sale of Fire District 40's existing station on 176th—a property that may offer opportunities for commercial development.

Surface Water Management

As noted in the discussion of SWM operating costs, we assume that, upon annexation, King County will turn over all publicly-maintained SWM facilities in Cascade to the City. In addition to developing a plan to operating and maintaining these facilities, the City will also need to develop a capital plan that integrates the Cascade surface water system into the City's existing system.

According to data provided to us by King County's Department of Water and Land Resources, from 1999 to the present, King County will have invested about \$900,000 in surface water capital facilities within the proposed annexation area. The Ruddells Addition project, the only large CIP project King County has done in Cascade, consisted of the enlargement of two existing detention ponds, the construction of one new detention pond, and the installation of 700 linear feet of new drain pipe to reduce flooding of local roads and 11 homes. There are 120 residential/public and 110 private drainage surface water facilities in the area.

Historically, King County has received the highest number of drainage complaints in the areas just south of SR 169 and west of SR 515. The County has conducted surface water drainage studies South of 192nd in the Panther Lake area. Although this area is similar to the Renton Highlands and its

needs, the approach of the City of Renton and King County use to address drainage is very different, in that Renton does not maintain residential SWM facilities or build detention ponds. Therefore, residents receive a current level of service from King County SWM that they would not receive from Renton Utilities and this would likely be the focus of conversations between residents in the annexation area and the City of Renton about what to expect to meet their drainage needs.

Capital Revenues Generated in Cascade Area

Renton could expect to generate roughly \$700,000 in annual revenues to support capital projects from two sources: (1) the business license fee and (2) real estate excise tax (assuming current statutes). Cascade could also be expected to generate \$440,000 in surface water fees each year. These are revenues that would be available both for operation and maintenance of the surface water system and for capital investments in that system.

Business License Fee

The City of Renton's policy is to dedicate business license fee revenues (paid by businesses based on the number of employees) to capital expenditures. Based on the complement of businesses in Cascade today, this revenue source would generate approximately \$115,000 in revenues that could support capital projects.

Real Estate Excise Tax

The contemplated annexation area would be expected to generate \$550,000 to \$600,000 per year in Real Estate Excise Tax revenues, which are statutorily restricted in their use to the funding of narrowly defined sets of capital expenditures and are not included in our calculation of operating revenues available to defray the day-to-day costs of providing governmental services, but these revenues would be available for capital projects.

Over the past five years, when one adjusts for property appreciation, the King County Assessor's database extracts show average REET revenues of \$525,000 in the Cascade area. In 2004, however, REET revenues generated in the area exceeded \$650,000.

In addition to existing REET authority, the Washington State Legislature expects to consider legislation in the coming session that would create a new 0.4% Real Estate Excise Tax that would replace mitigation fees for cities that choose to make the switch. If enacted, the new tax would generate another \$440,000 to \$448,000 per year in Cascade, further bolstering the area's ability to finance capital investments.

Surface Water Management (SWM) Fees

Based on Renton's surface water utility rates for single family and commercial users, the study area would generate roughly \$440,000 in surface water fees each year; all of these revenues would be used to cover the operating costs of maintaining non-roadway facilities, or for capital or other SWM-related uses.

TECHNICAL APPENDIX A

Exhibit 10

Summary of Operating Costs for Cascade Annexation Area (2005 Dollars)

NOTES	Operating Costs	TOTAL
A	Police Services	\$3,728,000
B	Planning, Building & Public Works	\$1,769,000
C	<i>Development Services</i>	<i>\$575,000</i>
D	<i>Maintenance Services</i>	<i>\$662,000</i>
E	<i>Transportation Systems</i>	<i>\$382,000</i>
F	<i>Utility Systems</i>	<i>\$101,000</i>
G	Fire Services	\$1,113,000
H	Administrative, Judicial & Legal Services	\$627,000
I	Community Services	\$481,000
J	Finance and Information Services	\$341,000
K	Human Resources & Risk Management	\$73,000
L	Economic Development	\$233,000
M	Legislative	\$14,000
N	Staff-related Facility Costs	\$340,000
TOTAL COST		\$8,719,000

Source: Berk & Associates analysis

Exhibit 11

Summary of Operating Revenues for Cascade Annexation Area (2005 Dollars)

NOTES	Operating Revenue	TOTAL
O	Property Tax	\$3,685,000
P	Utility Tax	\$1,387,000
Q	<i>Telephone</i>	<i>\$389,000</i>
R	<i>Water/Sewer/Storm Drainage</i>	<i>\$355,000</i>
S	<i>Electricity</i>	<i>\$293,000</i>
T	<i>Cable TV</i>	<i>\$169,000</i>
U	<i>Gas</i>	<i>\$122,000</i>
V	<i>Garbage</i>	<i>\$59,000</i>
W	Sales Tax	\$833,000
X	State Shared Revenues	\$546,000
Y	Gambling Tax	\$399,000
Z	Permit Fees	\$345,000
AA	Sales Tax-Criminal Justice	\$294,000

KING COUNTY ANNEXATION ANALYSIS

BB	Fines & Forfeits	\$323,000
CC	Cable Franchise Fees	\$137,000
DD	Recreation Fees	\$66,000
EE	Business License Fees	\$23,000
TOTAL REVENUE		\$8,038,000

Source: Berk & Associates analysis

Exhibit 12

Notes on Sources, Methods and Assumptions for Estimated Costs and Revenues

KEY	Operating Costs
A	<p>Estimates of police expenditures represent a combination of (1) discussions with Renton Police Department staff, and (2) Berk & Associates forecasts of the incremental increase in the demand for service that Renton Police should expect given the commercial and demographic characteristics of the area of analysis.</p> <p>Representatives of the Renton Police Department provided estimates of the staffing that would be required to extend Renton's existing levels of police services to the study area. For assessment of the additional demand for service that Renton Police would see upon annexation of the study area, Berk & Associates relied on (1) comparisons of the relative level of commercial activity among the existing City of Renton and the three study area (as measured in terms of non-Services employment [with non-Services employment defined as private-sector employment for all employment sectors except for the Finance, Insurance, Real Estate, and Services sector]) and (2) comparisons between the demographic characteristics of the residential bases in Renton and the study area.</p> <p>Among households in the study area, estimates of police demand are based on differences in housing unit type and tenure, distinguishing between households who live in (1) owner-occupied single-family homes, (2) renter-occupied single-family homes, (3) owner-occupied multifamily, (4) renter-occupied multifamily, and (5) mobile homes. Estimates of the relative contribution of each of these segments to police demand is based on a series of statistical analyses in which Berk and Associates assessed the fundamental characteristics and experiences of more than 100 cities across Washington State to identify the "typical" contribution to police demand driven by each residential category. These "typical" contributions were then scaled to match with Renton's experience.</p> <p>As is true for all cost estimates, the cost basis for estimating the costs of extending police services is the City of Renton's budgeted 2005 expenditures for Police Services as reported in the City of Renton 2005 Adopted Budget (budgeted at \$15,956,800).</p>

KING COUNTY ANNEXATION ANALYSIS

B	<p>Expenditures for the Planning, Building and Public Works (PBPW) are based on the combination of estimates of operating expenditures for the Administration, Development Services, Maintenance, Transportation Systems and Utility Systems Divisions of the Department. The estimates of the incremental increase in PBPW activity are based on comparisons of various driver values to current City value, as described in notes D through F below.</p> <p>Administrative expenditures are based on the additional demand for services for each study area, multiplied by 2005 budgeted expenditures of \$363,700.</p>				
C	<p>Estimated Development Services expenditures represent the pro-rata share of expenditures based on the incremental increase in assessed valuation associated with the study area.</p> <p>Since a portion of the costs of the Building and Planning divisions of the Department of Community Development are partially covered by building and planning fees, any over- or understatement of planning and building service costs would be mitigated by a proportionate, parallel shift in fee revenues.</p>				
D	<p>Since Maintenance Services division encompasses Streets/Bridges/Sidewalks maintenance, the costs are based on the comparisons of study area lane miles to current City lane miles, plus some additional costs for the full-time mechanic.</p>				
E	<p>Transportation Systems division is responsible for transportation planning, traffic operations, traffic maintenance and transportation design & construction functions. These functions were examined separately and the following drivers were used in estimating the costs for the study area: land area and lane miles. Additionally, the expense of maintenance and electricity for Cascade traffic lights and luminaires was included in the total cost estimate for each study area. The following is an inventory of traffic lights and luminaries for Cascade area:</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="border-bottom: 1px solid black;">Traffic Lights</td><td style="border-bottom: 1px solid black; text-align: right;">5</td></tr> <tr> <td style="border-bottom: 1px solid black;">Luminaires</td><td style="border-bottom: 1px solid black; text-align: right;">49</td></tr> </table> <p>Source: King County and City of Renton</p> <p>Transportation design and construction function is financed by capital funds as well as federal and state grants, thus it is excluded from the estimate of Transportation Systems costs.</p>	Traffic Lights	5	Luminaires	49
Traffic Lights	5				
Luminaires	49				
F	<p>Utility Systems division is mostly an internal service fund, with costs already loaded in the other departments' budgets, and as such, it is excluded from the operating cost estimates.</p> <p>However, Technical Services function (property management services for the City, as well as mapping, GIS, surveying and data management services, etc.) of the division is almost completely financed from the General Fund and is budgeted at \$477,502 in the City of Renton 2005 Adopted Budget. The operating costs of this function are estimated based on the increase in overall land area that would be introduced by annexation of the study area. The remaining budget for Technical Services, \$56,698, comes from the utility enterprise funds and is excluded from this analysis.</p>				
G	<p>Estimates of fire expenditures represent a combination of (1) discussions with Renton Fire</p>				

	Department staff, and (2) Berk & Associates forecasts of the incremental increase in the demand for service that Renton Fire Department should expect given the 2005 population and number of employees of the analysis area.
H	<p>The City of Renton's Administrative, Judicial and Legal services expenditures include expenditures for public-safety-related activities, including hearing examiner and court services. Another portion of Administrative, Judicial and Legal services expenditures go to general city activities including city attorney services, city clerk and mayor's office.</p> <p>Estimated expenditures for the <i>public-safety-related</i> legal expenditures (with a 2005 budgeted costs basis of \$1,567,400) are allocated to the study area based on estimates of the additional police service demand that will be introduced by the area (see Note A).</p> <p>Expenditures for the non-public-safety-related expenditures (budgeted at \$2,415,700) are estimated based on the estimated overall increase in City staffing levels, implying 11% incremental increase in expenditures in the study area.</p>
I	<p>Estimated Community Services expenditures represent the (1) anticipated expenditures for maintaining 41.22 acres of neighborhood parks and providing recreation services to residents of the study area; (2) costs of development and management of City's facilities; and (3) forecasted expenditures for provision of human services.</p> <p>Parks maintenance expenditures are driven by the assumed increase in active and passive park acres that would be introduced by annexation of the study area. As mentioned before, the study area contains 41.22 acres of parks, classified as active use by King County. However, due to differences in LOS between the King County and Renton, only portion of these park acres would be classified as active by Renton. Thus, for purposes of calculation of maintenance costs for these parks, we assumed that 1/4 of 41.22 acres was active use, and the rest was passive.</p> <p>Recreation costs represent estimated 20% of the budgeted 2005 City of Renton expenditures of \$1,297,300 (\$1,898,900 for the Recreation Services division less \$601,600 for Aquatic Center). Based on conversation with Renton's Recreation Services staff, we assume that Cascade area would incur approximately 16% incremental demand, which includes the cost of operating recreation programs at area's two schools and operating and maintenance costs of the proposed neighborhood center.</p> <p>Estimates of parks, recreation and cultural service expenditures assume that the Renton Community Center, Senior Center, and Maplewood Golf course would see no fiscal impact from annexation given that they already serve the populations of the study area.</p> <p>Library costs are excluded from the analysis as it is assumed that Cascade population is served by KCLS' Fairwood library and Renton's libraries.</p> <p>Estimates of facility costs are based on square footage of City-owned buildings, which is assumed to be 1,750 square feet for the new Fire Station (1/3 of the size of Station 42, owned by FD 40, an incremental increase over the size of fire station 13, currently owned by Renton).</p> <p>The expenditures for Human Services division of Community services are estimated by allocating Renton's 2005 budgeted costs to each city resident and assuming that those costs will increase proportionally with increases in the City's population base.</p>

KING COUNTY ANNEXATION ANALYSIS

	<p>This study excluded any assessment of impacts on the City's Community Development Block Grant (CDBG) Fund. If the City were to pursue annexation of the Cascade study area, that annexation would increase the City's share of CDBG allocations, and the City would put those additional revenues to work much as it uses current Block Grants. Presumably, however, these changes would have no impact on the City's General Fund obligations.</p>
J	<p>Estimated finance and information services expenditures represent the pro-rata share of expenditures based on the estimated overall increase in City staffing levels.</p> <p>Estimated finance and information services expenditures represent 2005 budgeted expenditures of \$3,444,400 multiplied by the incremental demand in the study area documented in Note H above.</p>
K	<p>Like the non-public-safety-related component of Administrative, Judicial and Legal services, estimates of additional expenditures for human resources and risk management services are estimated to increase based on the estimated overall increase in City staffing levels.</p>
L	<p>Estimated expenditures for economic development services are based on the incremental increase in assessed valuation associated with the study area.</p> <p>Another element of Renton's economic development expenditures is Neighborhood programs, consisting of two components: portions of full-time equivalent staff (which are covered under general economic development budget) and a capital program currently budgeted at \$50,000 per year. Estimates of costs for the latter capital program for Cascade are based on current costs per city resident. The analysis assumes that those costs will increase proportionally with increases in the City's population base.</p>
M	<p>Estimated expenditures for legislative department are based on 2005 budgeted expenditures of \$220,100. This estimate assumes that a portion of the Legislative Department will be unaffected by annexation, but costs of remaining support functions will increase with the estimated overall increase in City staffing levels.</p>
N	<p>Staff-related facility costs reflect the annualized cost of City Hall, maintenance facilities, and other City facilities that will be needed to house additional staff.</p> <p>For cities who own their facilities, it is unusual to think of facilities costs in terms of an annual cost, but these costs are included in the analysis in an attempt to capture the <i>full</i> costs of services.</p> <p>The City may have excess capacity in existing facilities, or the City could choose to capitalize these costs by assuming greater capital expenditures up front. In that case, many if not all of the costs could be eliminated from the annual cost estimate.</p> <p>Estimated costs assume annual costs of \$5,000 per employee. For office staff, this might translate into a need for 250 square feet of additional space per employee at an average lease cost of \$20 per square foot. Alternatively, the \$5,000 cost could be viewed as the cost of servicing City bonds that would be necessary to cover the capital cost of building new facilities.</p> <p>For maintenance workers, \$5,000 per employee might translate into 625 square feet per employee at a cost of \$8 per square foot.</p>

	Operating Revenues
O	Estimated property tax revenues reflect estimated taxable assessed value of real and personal property (identified through Berk & Associates spatial analysis of data extracts from the King County Assessor's Office) multiplied by Renton's 2005 levy rate of \$3.14813 per \$1,000 of assessed value. 2005 taxable assessed value for Cascade area is \$1.2 billion.
P	Utility tax revenues represent the combined value of telephone, water/sewer/storm drainage, electricity, cable TV, gas, and garbage tax revenues as detailed in notes Q through V. All of these taxes have been assumed to equal to 6% of gross revenue receipts by utility companies.
Q	Estimated taxes on telephone service (including cell phone service) reflect the findings of Berk & Associates' statistical regression analysis models of telephone tax revenues generated in 10 King County cities. Based on the findings of statistical analyses, estimates of telephone tax revenues are based on estimates of population and employees in the Finance, Insurance, Real Estate, and Services sector of the economy.
R	Water/sewer/storm drainage taxes reflect an estimate of \$22.00 of annual revenues per resident, based on the City of Renton's rates for an average household for surface water, water and sewer fees.
S	Estimated taxes on electricity reflect the findings of Berk & Associates' statistical regression analysis models of electricity tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of electricity tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.
T	Estimates of utility tax revenues on cable services reflect an estimate of \$10.50 of annual revenues per resident.
U	Estimated taxes on natural gas reflect the findings of Berk & Associates' statistical regression analysis models of gas tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of natural gas tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.
V	Estimated taxes on garbage tax revenues reflect the findings of Berk & Associates' statistical regression analysis models of garbage tax revenues generated in 8 King County cities. Based on the findings of statistical analyses, estimates of garbage tax revenues are based on estimates of commercial and residential real estate mix, measured in square feet.
W	Estimates of sales tax revenues are based on actual sales taxes collected in the study area in 2004 as reported by King County budget analysts.
X	State-shared revenue projections are based on estimates of statewide per capita distributions of the liquor tax, liquor profits, restricted and unrestricted gas taxes, and criminal justice revenues as reported by the Municipal Research and Services Center. These revenues are distributed to all cities in the state on a per capita basis, and in 2005 they were reported to total \$33.20 per capita. Projected revenues, therefore, are arrived at by multiplying this \$33.20 by the contemplated annexation area's respective populations.

KING COUNTY ANNEXATION ANALYSIS

Y	Given the similarity between Renton and King County's schedules of gambling tax rates, estimated gambling tax revenues reflect the gambling taxes paid to King County in the most recent calendar year by gambling establishments in the Cascade area, as reported by King County budget analysts.
Z	Building and other permit fees reflect an assumed cost recovery of 60% of expenditures for the Development Services Division of the Department of Planning, Building and Public Works.
AA	Criminal justice sales tax revenues are distributed to cities on a per-capita basis. Estimated revenues reflect an assumed distribution of \$20 per resident, which is consistent with both Renton's 2005 budgeted revenues and historical receipts.
BB	Estimated fines & forfeits reflect an assumed cost recovery of 85% of expenditures for the court services division of Administrative, Judicial & Legal department. This level of recovery compares with 2002, 2003 and 2004 recovery levels of 98%, 85%, and 85%, respectively, and budgeted-2005 cost recovery of 81%.
CC	Estimated cable franchise fee revenues reflect assumed revenues of \$8.50 per resident.
DD	Estimated recreation fees reflect an assumed cost recovery of 40% of the costs of the recreation division of Community Services department expenditures.
EE	Business license fees reflect application of the City's license fee structure to estimated number of employees located in the study area. The City's fee structure levies an annual fee of \$55 per employee per year. However, 80% of business fee revenues are dedicated to road maintenance (capital projects), thus only 20% of estimated total amount collected for business license fees goes towards general fund.

TECHNICAL APPENDIX B: SUPPORTING DOCUMENTS